



Illinois Department of Central Management Services

Deferred Compensation

Building Blocks for Your Financial Future

2nd Quarter • July 2001 • George H. Ryan, Governor

New Funds Available on August 1, 2001

The Deferred Compensation Division is pleased to announce that the search for a small-cap growth equity fund and a large-cap growth equity fund is complete. Beginning August 1, 2001, participants can request an exchange, or change future allocations, to include the Wells Fargo Large Company Growth Fund or the Provident Investment Counsel (PIC) Small Cap Growth Fund.

Both funds are institutional class shares provided with no loads or extra fees. This newsletter contains some introductory information on each of the two funds. For questions, additional information or a prospectus (which contains more information, including objectives, strategies, and risks), please call their respective toll-free numbers listed in the directory on page 2. Remember, participants are allowed one exchange per quarter at no charge, and additional exchanges are \$10. All future allocation changes are provided at no charge. To request an exchange or allocation change, call the recordkeeper, T. Rowe Price, at 888-457-5770.

What's News...

Federal Legislation

The President signed the Economic Growth and Tax Relief Act of 2001 that will affect Section 457 plans such as the Deferred Compensation Plan. The provisions are to be effective after December 31, 2001, and the U.S. Department of the Treasury and Internal Revenue Service are to provide guidance and clarification of the law's provisions through regulations to be drafted. While the legislation is very favorable for participants, there are many questions that remain unanswered. Participants will continue to be kept abreast of any developments through this newsletter.

Provisions of the law include: an increase in the deferral limit to \$11,000 for 2002; catch-up contributions will double the maximum deferral limits; flexibility in distribution decisions; portability among plan types such as 403(b), 401(k), and IRAs; changes to the tax treatment of Qualified Domestic Relations Orders (QDROs); and the ability to purchase service credits with deferred compensation funds.

Illinois Tax and Deferred Compensation

The Deferred Compensation Division has received calls from participants who received a distribution in the tax year 2000 regarding an ITR Taxpayer Notification from the Illinois Department of Revenue. The notification may have proposed changes that make deferred compensation distributions taxable. If you received one of these notices, please call the Deferred Compensation Office for assistance to revise this status.

Liberty Acorn Fund Purchase

Liberty Wanger Asset Management, the investment adviser of the Liberty Acorn Fund, is part of an agreement by Liberty Financial Companies, Inc. to sell its asset management business to Fleet Boston Financial. The Liberty Wanger Asset Management purchase, which is subject to regulatory approval, is expected to close in September. The lead investment manager, Ralph Wanger, will continue to provide the investment management for the Acorn Fund.

About the Organizations

Wells Fargo is a diversified financial services company—providing banking, insurance, wealth management and estate planning, investments, and mortgages. The company offers consumer finance from more than 5,400 stores, the world's leading Internet banking site, and other distribution channels across North America and elsewhere internationally. Since 1852, Wells Fargo, the investment adviser to the Wells Fargo Funds, has repeatedly broken new ground in delivering products, services, and information.

Peregrine Capital Management, the investment manager for the Large Company Growth Fund, is a wholly-owned subsidiary of Wells Fargo. Peregrine Capital Management currently manages \$8 billion in assets.

Provident Investment Counsel

Provident Investment Counsel (PIC) is one of the premier growth managers in the country. PIC's combination of superior long-term results, continuity of professionals, and outstanding client service has made PIC a leader in investment management for the past 50 years. The firm manages a wide array of U.S. investment strategies, including small-, mid-, and large-capitalization growth equities as well as fixed-income and balanced portfolios. Over the long term, PIC's investment success has been a function of the firm's commitment to its investment style.

Wells Fargo Large Company Growth Fund (Institutional Shares)

Objective:

This fund seeks to provide long-term capital growth.

Investment Strategy:

It invests primarily in large, high-quality, dynamic growth companies whose earnings are expected to grow 50% faster than the earnings of the S&P 500 Index.

Invests in:

A concentrated portfolio of 35 to 50 domestic stocks that the adviser believes to have superior growth potential. The core of the portfolio consists of companies whose earnings growth rate exceeds the average company in the S&P 500 Index by at least 50%. Short-term market timing is avoided, and the fund will typically be fully invested.

Designed for:

The fund may be appropriate for investors with a long-term investment horizon as this fund can experience wide share price swings in the short term.

Risk Level:

High

Fund Managers – John S. Dale, Gary Nussbaum

Expense Ratio – 1.00%

Ticker Symbol – NVLCX

Benchmark – Russell 1000 Growth Index

Note: Performance results are listed in the quarterly statement.

Telephone Numbers

Deferred Compensation:

Plan Rules/Options Information
800-442-1300
217-782-7006
TDD/TTY: 800-526-0844
Internet: www.state.il.us/cms/employee/defcom

Recordkeeper:

T. Rowe Price Retirement Plan Services
Account Value Information and Investment Changes
888-457-5770
TDD/TTY: 800-521-0325
Internet: rps.troweprice.com
Internet Access: 800-541-3022

Fund Performance:

Liberty Acorn Fund
800-922-6769
Ariel Fund
800-292-7435
Fidelity Funds
800-544-8888
Provident Investment Counsel
800-618-7643
Stable Return Fund/PRIMCO
800-228-7466
T. Rowe Price Funds
800-922-9945
Vanguard Funds
800-523-8066
Wells Fargo
866-561-1153

PIC Small Cap Growth Fund

(Institutional Shares)

Objective:

The fund seeks to provide long-term growth of capital through ownership in equity securities of smaller growth companies.

Investment Strategy:

The fund will invest at least 65% of its assets primarily in the common stocks of small-capitalization growth companies whose market capitalization at the time of initial purchase is \$50 million to \$2 billion. PIC's portfolio management team seeks out companies possessing one or more catalysts for growth, such as new products, demographic trends, proprietary products, gaining market share, or rapid earnings growth.

Invests in:

A well-diversified portfolio of small-capitalization growth stocks with an emphasis on strong financial characteristics and future revenue and earnings growth potential. A number of growth sectors, including electronic technology, health technology, finance, industrial services, and retail.

Designed for:

Participants seeking capital appreciation through investments in rapidly growing, small-capitalization companies. Investors seeking an opportunity to round out a well-diversified investment plan with a more growth-oriented asset class. Investors who are willing to accept the greater risk of investing in such smaller growth companies.

Risk Level:

High

Fund Manager – Team Managed

Expense Ratio – 1.00%

Ticker Symbol – PISCX

Benchmark – Russell 2000 Growth Index

Note: Performance results are listed in the quarterly statement.

Fund Facts

Wells Fargo Large Company Growth			PIC Small Cap Growth	
Sector Weightings				
Top Three Sectors	Technology	41.4%	Technology	31.7%
	Financials	20.0%	Health	23.0%
	Health	15.5%	Services	17.6%
Portfolio Holdings				
Top Five Holdings as of 3/31/2001	Microsoft, Corp		ESC Medical Systems	
	Home Depot, Inc.		99 Cents Only Stores	
	Pfizer, Inc.		Catalina Marketing	
	Medtronic, Inc.		Sky West, Inc.	
	American Intl. Group		BisysGroup, Inc.	

Income and Price Information

2nd Quarter 2001

Transaction Date	Vanguard Bond Index	T. Rowe Price New Income ¹	Fidelity Puritan ²	Fidelity ³	Vanguard Inst. Index ⁴	Liberty Acorn ⁵	Ariel	T. Rowe Price International Stock
04/02/01	\$10.11	\$8.60	\$17.99	\$27.51	\$104.74	\$16.07	\$33.88	\$12.21
04/03/01	\$10.12	\$8.62	\$17.67	\$26.14	\$101.13	\$15.57	\$33.32	\$12.06
04/04/01	\$10.12	\$8.63	\$17.66	\$25.98	\$100.86	\$15.52	\$33.23	\$12.17
04/05/01	\$10.11	\$8.61	\$17.97	\$27.75	\$105.27	\$16.10	\$34.15	\$12.44
04/06/01	\$10.14	\$8.65	\$17.85	\$27.19	\$103.19	\$15.78	\$33.48	\$12.44
04/09/01	\$10.13	\$8.64	\$17.95	\$27.51	\$104.03	\$16.07	\$33.63	\$12.45
04/10/01	\$10.07	\$8.58	\$18.12	\$28.87	\$106.85	\$16.41	\$33.92	\$12.59
04/11/01	\$10.06	\$8.57	\$18.01	\$29.04	\$106.62	\$16.36	\$33.38	\$12.63
04/12/01	\$10.04	\$8.55	\$18.09	\$29.74	\$108.24	\$16.59	\$33.55	\$12.76
04/16/01	\$10.00	\$8.51	\$18.12	\$29.36	\$107.89	\$16.56	\$33.61	\$12.65
04/17/01	\$10.03	\$8.54	\$18.24	\$29.71	\$108.99	\$16.80	\$33.71	\$12.55
04/18/01	\$10.07	\$8.58	\$18.58	\$31.29	\$113.25	\$17.21	\$33.96	\$13.07
04/19/01	\$10.03	\$8.54	\$18.59	\$32.13	\$114.66	\$17.25	\$34.04	\$13.20
04/20/01	\$10.03	\$8.54	\$18.50	\$31.92	\$113.68	\$17.09	\$33.68	\$13.16
04/23/01	\$10.06	\$8.57	\$18.47	\$31.09	\$111.98	\$16.98	\$33.47	\$12.99
04/24/01	\$10.06	\$8.56	\$18.39	\$30.66	\$110.62	\$17.00	\$33.37	\$12.98
04/25/01	\$10.04	\$8.54	\$18.55	\$31.21	\$112.39	\$17.27	\$33.67	\$13.02
04/26/01	\$10.07	\$8.58	\$18.69	\$31.33	\$112.93	\$17.49	\$34.01	\$13.16
04/27/01	\$10.02	\$8.53	\$18.82	\$31.87	\$114.63	\$17.74	\$34.51	\$13.23
04/30/01	\$10.02	\$8.53	\$18.74	\$31.83	\$114.31	\$17.76	\$34.44	\$13.28
05/01/01	\$10.05	\$8.55	\$18.85	\$32.24	\$115.86	\$17.91	\$34.63	\$13.45
05/02/01	\$10.06	\$8.56	\$18.80	\$32.27	\$115.96	\$17.86	\$34.81	\$13.48
05/03/01	\$10.09	\$8.59	\$18.73	\$31.77	\$114.25	\$17.73	\$34.69	\$13.28
05/04/01	\$10.10	\$8.60	\$18.89	\$32.17	\$115.90	\$17.93	\$34.91	\$13.34
05/07/01	\$10.10	\$8.59	\$18.87	\$32.11	\$115.62	\$17.87	\$34.79	\$13.43
05/08/01	\$10.09	\$8.58	\$18.84	\$32.10	\$115.42	\$17.96	\$34.95	\$13.31
05/09/01	\$10.11	\$8.60	\$18.85	\$31.93	\$114.91	\$17.90	\$34.85	\$13.19
05/10/01	\$10.07	\$8.56	\$18.89	\$31.93	\$114.90	\$17.91	\$34.62	\$13.28
05/11/01	\$9.98	\$8.49	\$18.75	\$31.65	\$114.04	\$17.82	\$34.41	\$13.18
05/14/01	\$10.00	\$8.50	\$18.85	\$31.73	\$114.34	\$17.89	\$34.39	\$12.95
05/15/01	\$9.99	\$8.49	\$18.89	\$31.80	\$114.39	\$18.04	\$34.66	\$13.12
05/16/01	\$10.01	\$8.51	\$19.18	\$32.73	\$117.66	\$18.36	\$35.30	\$13.18
05/17/01	\$10.02	\$8.52	\$19.20	\$33.01	\$117.99	\$18.64	\$35.59	\$13.28
05/18/01	\$10.03	\$8.53	\$19.22	\$33.05	\$118.32	\$18.68	\$35.70	\$13.30
05/21/01	\$10.03	\$8.53	\$19.29	\$33.74	\$120.23	\$19.00	\$36.22	\$13.41
05/22/01	\$10.03	\$8.52	\$19.27	\$33.66	\$119.92	\$19.00	\$36.30	\$13.39
05/23/01	\$10.03	\$8.52	\$19.17	\$33.10	\$118.06	\$18.74	\$36.04	\$13.25
05/24/01	\$9.99	\$8.48	\$19.15	\$33.25	\$118.44	\$18.81	\$35.97	\$13.19
05/25/01	\$9.99	\$8.49	\$19.06	\$32.90	\$117.04	\$18.75	\$35.99	\$13.09
05/29/01	\$9.99	\$8.48	\$19.09	\$32.44	\$116.13	\$18.60	\$35.89	\$13.01
05/30/01	\$9.99	\$8.48	\$18.99	\$31.74	\$114.35	\$18.35	\$35.61	\$12.81
05/31/01	\$10.04	\$8.53	\$19.10	\$31.99	\$115.06	\$18.51	\$35.59	\$12.69
06/01/01	\$10.06	\$8.54	\$19.12	\$32.21	\$115.51	\$18.60	\$36.02	\$12.67
06/04/01	\$10.08	\$8.56	\$19.22	\$32.33	\$116.10	\$18.77	\$36.29	\$12.70
06/05/01	\$10.11	\$8.59	\$19.34	\$32.90	\$117.61	\$18.96	\$36.64	\$12.83
06/06/01	\$10.11	\$8.59	\$19.19	\$32.58	\$116.38	\$18.81	\$36.57	\$12.73
06/07/01	\$10.09	\$8.57	\$19.19	\$32.85	\$117.02	\$18.84	\$36.66	\$12.80
06/08/01	\$10.07	\$8.56	\$18.96	\$32.44	\$115.92	\$18.78	\$36.50	\$12.78
06/11/01	\$10.09	\$8.57	\$18.91	\$32.06	\$114.96	\$18.65	\$36.40	\$12.53
06/12/01	\$10.12	\$8.59	\$18.92	\$32.05	\$115.09	\$18.33	\$36.36	\$12.31
06/13/01	\$10.11	\$8.59	\$18.85	\$31.70	\$113.81	\$18.25	\$36.22	\$12.40
06/14/01	\$10.12	\$8.60	\$18.68	\$31.16	\$111.81	\$17.91	\$35.85	\$12.34
06/15/01	\$10.11	\$8.59	\$18.63	\$31.05	\$111.32	\$17.96	\$35.76	\$12.23
06/18/01	\$10.10	\$8.58	\$18.58	\$30.81	\$110.77	\$17.83	\$35.71	\$12.09
06/19/01	\$10.10	\$8.58	\$18.57	\$30.78	\$111.16	\$17.81	\$35.59	\$12.09
06/20/01	\$10.11	\$8.59	\$18.65	\$31.21	\$112.12	\$17.93	\$36.14	\$12.01
06/21/01	\$10.12	\$8.60	\$18.78	\$31.64	\$113.40	\$18.00	\$35.91	\$12.13
06/22/01	\$10.15	\$8.63	\$18.72	\$31.33	\$112.03	\$17.86	\$35.36	\$12.23
06/25/01	\$10.15	\$8.63	\$18.63	\$31.24	\$111.41	\$17.82	\$35.23	\$12.21
06/26/01	\$10.12	\$8.60	\$18.58	\$31.16	\$111.24	\$17.95	\$35.66	\$12.08
06/27/01	\$10.11	\$8.59	\$18.51	\$31.06	\$110.74	\$18.07	\$35.73	\$12.07
06/28/01	\$10.06	\$8.55	\$18.56	\$31.50	\$112.12	\$18.20	\$35.97	\$12.05
06/29/01	\$10.04	\$8.53	\$18.59	\$31.84	\$111.96	\$18.20	\$36.22	\$12.15

¹ New Income earnings are calculated using daily income accruals. T. Rowe Price credits earnings to the first working day of the following month. Therefore, 29 days were credited for April, 31 days were credited for May, and 31 days were credited for June.

² Puritan declared a distribution of \$.14 payable June 8, 2001, to shareholders of record on June 7, 2001, using a share value of \$18.96.

³ Fidelity declared a distribution of \$.04 payable June 8, 2001, to shareholders of record on June 7, 2001, using a share value of \$32.44.

⁴ Vanguard Institutional Index Fund declared a distribution of \$.30 payable June 22, 2001, to shareholders of record on June 21, 2001, using a share value of \$112.03.

⁵ Liberty Acorn Fund declared a distribution of \$.30 payable June 12, 2001, to shareholders of record on June 11, 2001, using a share value of \$18.33.

